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SUBJECT: CORRECTED COPY -- SCENESETTER FOR SECRETARY CLINTON'S NEW  
ZEALAND VISIT

REF: 10 WELLINGTON 1

DERIVED FROM: Derived from previous message.

11. (SBU) Secretary Clinton, Embassy Wellington and Consulate General Auckland extend a warm welcome to you for your January 15-17 visit to New Zealand. We have worked closely on preparations with your "Kiwi" hosts and share their excitement about your trip. Your visit to New Zealand, a small Pacific nation of 4.3 million, will further energize bilateral relations, which are already on an upward trajectory. Washington is reviewing our decades-old policy stemming from disagreements over New Zealand's nuclear-free legislation in the mid-1980s and we expect that much closer military-to-military relations will result. Our intelligence relationship was fully restored on August 29, 2009 (which should not be acknowledged in public). New Zealand is eager to work with the U.S. on non-proliferation issues and Prime Minister (PM) John Key is openly excited about being invited by President Obama for a bilateral visit to Washington in March 2010 and to the April Nuclear Security Summit. New Zealand depends on international trade (the U.S. is its second largest trading partner, after Australia) and influential constituencies across the society reacted enthusiastically to President Obama's November 2009 announcement on the Trans-Pacific Partnership (TPP). New Zealand Special Air Services (SAS) combat troops are deployed in Afghanistan, and the NZ Defense Forces run a Provincial Reconstruction Team (PRT) in Bamyán province.

Your Hosts

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12. (SBU) Your official host for this visit is Foreign Minister Murray McCully, but PM Key--consistent with his strongly personal pro-American outlook and that of the National Party-led coalition government he heads--has involved himself heavily in your visit. Key will lead the official bilateral meeting, hold a joint press availability with you, and be your host for an informal dinner. While delegating most foreign policy responsibilities to FM McCully, PM Key keeps a close watch on bilateral relations with the United States. PM Key and the rest of the New Zealand government celebrates your visit as evidence that New Zealand is a welcome partner of the United States and a reaffirmation of the positive bilateral developments between our countries in recent years. We do not anticipate that the New Zealand Government will raise any contentious issues in your meetings.

PM Key's National-led Government - Riding a Wave of Popularity

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13. (SBU) On November 8, 2008, The John Key-led National Party won the General Election ending the eight years of Labour party rule. Key, a former investment banker who only entered politics in 2002, announced the formation of a National-led minority center-right government after he had signed separate agreements with the ACT Party, United Future and the Maori Party to secure their respective support. The governing arrangement with the three parties is not a formal coalition. Rather, each party negotiated with National an agreement that will enable National to survive no-confidence votes in Parliament. PM Key and his governing National Party are now extremely popular with voters with ratings well above 50 percent. The opposition Labour Party, with a 30 percent rating, and its leader, Phil Goff (8 percent), have struggled to be politically relevant since losing the 2008 election. The Key Government recently dealt with minor scandals involving two support parties that briefly raised the specter of Government instability, but faded rapidly.

Hot Domestic Issues: Maori Land Rights and Emission Trading Scheme

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14. (C) While domestic politics will have little influence on your  
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visit, there are several issues that currently are at the forefront of New Zealand politicians' minds. The most critical legislative decisions since the National Party took office in 2008 are the recent repeal of the controversial Foreshore and Seabed Act, which permits Maori to pursue in court their customary rights to the coastline and its natural resources, and the Government's Emission Trading Scheme (ETS) bill, a contentious environmental measure introduced to cap carbon emissions. Opposition parties derided the ETS bill as incomplete and roasted the Government for the speed with which it passed into law. Another issue of note is the Government's plan to consolidate Auckland's eight existing councils into one Super Council with a single mayor. This is a significant undertaking as Auckland is New Zealand's biggest and politically most important city.

New Zealand's Economy - On the Rebound

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15. (U) New Zealand's economy suffered a recession from the global economic crisis, but is now on the road to recovery with real GDP data showing signs of improvement. Economic forecasts suggest that economic growth will return in 2010 with 1.6 percent growth in real GDP. However, unemployment is still expected to top 7 percent in early 2010. After substantial restructuring and sale of government-owned enterprises in the 1990s, New Zealand is now one of the most open economies in the world and is ranked 5th in the world on the Heritage Foundation's economic freedom index. Close economic ties with Australia are also a key part of the New Zealand economy. New Zealand and Australia are partners in the "Closer Economic Relations" (CER) agreement, which allows for free trade in goods and most services. There is a free flow of labor between the two countries with little to no impediments to migration, and the two countries also consult closely on fiscal and monetary policy.

Trade is Vital to the Economy

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16. (U) Trade is a vital part of the New Zealand's economy,

particularly trade in agriculture, which represents about half the country's exports. New Zealand's four top trade partners are Australia, the United States, China, and Japan. To boost trade, the country has vigorously pursued free trade through the WTO and the Trans-Pacific Partnership Agreement (TPP), as well as bilateral agreements with other countries and regional organizations, including Australia, China, Singapore, Thailand, Malaysia, Hong Kong, ASEAN, and the Gulf Cooperation Council. New Zealand is the first OECD country to sign a free trade agreement with China, and it now pursuing FTAs with Korea, Japan, and India. In general, the country's trade policy generally enjoys bi-partisan support.

#### The U.S. is a Major Trade and Investment Partner

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17. (U) President Obama's announcement on November 14 of U.S. engagement with the TPP countries was warmly welcomed and has generated a great deal of enthusiasm among New Zealand Government officials and the media. The U.S. is currently New Zealand's second largest individual trading partner and second largest individual export market, with the top four exports of frozen beef, dairy products, sheep meat and wine. The U.S. is New Zealand's third largest source of imports with the top four imports of aircraft, aircraft parts, medical equipment and motor vehicles. The U.S. is also the top destination for New Zealand investment abroad (close to \$1 billion) and New Zealand's second largest source of FDI (11.5 percent of the total FDI in NZ). New Zealand has a vibrant U.S. business community of approximately 400 companies, including well-known companies such as 3M, Citibank, Microsoft, and Mobil. New Zealand's American Chamber of Commerce, based in Auckland, has over 160 members.

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Supportive of the U.S. Internationally, Especially in Multilateral Fora

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18. (C/NF) New Zealand, as a small country, places great store in multilateralism and is a strong proponent of the UN system. It generally supports the United States at the United Nations and other international fora, only differing on a few issues such as Cuba. When the U.S. Administration decided in March of 2009 to seek a seat on the UN Human Rights Council, New Zealand, which was also on the ballot, withdrew its name so the United States could run uncontested. New Zealand has also been supportive of the U.S. position on nuclear issues in Iran and North Korea and generally desires to keep their policies towards North Korea in sync with our objectives. On Iran, New Zealand supports our position, but their trade relationship with Tehran and overall approach to the Middle East precludes them from taking as tough a line with Iran as they have with North Korea. New Zealand is also an active participant in other fora, such as of Asia-Pacific Economic Cooperation (APEC), Organization for Cooperation and Development (OECD), Pacific Island Forum (PIF) and Proliferation Security Initiative (PSI).

#### New Zealand's Special Relationship with the Pacific Islands

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19. (SBU) The United States continues to draw on New Zealand's deep experience and unique connection with the Pacific Island region. New Zealand has a strong leadership role in the South Pacific and views itself as having a special connection with the island nations. Currently there are around 270,000 Pacific Islanders living in New Zealand (about 6 percent of the population), many of whom live in the Auckland region. There are also many Pacific Islanders who come to New Zealand for temporary work through the Recognized Seasonal Employer (RSE) Policy. New

Zealand established the program in October 2006 as a way to assist employers in horticulture and viticulture, as well as provide development assistance in the Pacific Island region. New Zealand has a strong aid and development presence in the region and is eager to collaborate closely with USAID, which is looking to return to the South Pacific. We cooperated closely with New Zealand in the aftermath of the recent earthquakes, tsunamis, and volcanic eruptions in the South Pacific. New Zealand was one of the first countries on the scene after the September tidal wave in Samoa, providing aid and relief.

¶10. (C) We also cooperate and share concerns in the region on political stability, climate change, energy and food security, and protection of fisheries and marine environments. In the past several years, New Zealand has played an active role in helping to maintain the security environment in Timor Leste, the Solomons, and Tonga. Likewise, we are unanimous in the need for a quick return to democracy in Fiji. The New Zealand Government has had a particularly rocky relationship with the interim Government in Fiji and would like the United States to take a stronger position. In November 2009, the New Zealand Acting High Commissioner was expelled from Fiji after New Zealand delayed the issuance of a medical visa for the sick child of a Fijian judge. We also share concerns over the competing agendas of other actors and donors in the region, such as China and Cuba, and their impact on stability, governance, and sustainable development. We also share a concern with the New Zealand Government over the need to help the Pacific Islands control their Exclusive Economic Zones (EEZ) from illegal fishing and to protect marine environments.

A Strong History of Collaboration on the Environment, Science and the Antarctic

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¶11. (SBU) Science cooperation forms one of the longest threads of the bilateral relationship; it dates back to the late 1950s in the Antarctic. The United States and New Zealand continue to work

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together closely on scientific research in the Antarctic. Christchurch is the staging area for joint logistical support operations serving U.S. permanent bases at McMurdo Station and South Pole, and New Zealand's Scott base (located just six miles from McMurdo Station in the Ross Sea region). Collaboration between the U.S. National Science Foundation and New Zealand to install wind turbines in Antarctica to power McMurdo/Scott Bases is a part of the joint logistical agreement and will eventually supply up to 90 percent of our electricity needs for the two bases. There is also collaboration on the Energy Development for Island Nations (EDIN) project, which aims to develop renewable energy resources for Pacific Islands and reduce their dependence on fossil fuels. A Science and Technology cooperation agreement between the US Department of Homeland Security and New Zealand, relating to enhancement of each country's domestic and external security capabilities, is slated to soon be signed. In addition, we are working together on greenhouse gas reduction in the agriculture sector through the Global Research Alliance on Agriculture Greenhouse Gases. New Zealand's unique position of being a developed country with roughly 50 percent of its carbon emissions stemming from agriculture production will give it a unique perspective and leadership role in this endeavor.

Defense Cooperation - Moving Around the Rock in the Road

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¶12. (C/NF) New Zealand-U.S. relations have improved significantly over recent years as both countries agreed not to allow the historic anti-nuclear dispute to unnecessarily damage the

overall bilateral relationship. New Zealand's legislation prohibiting visits of nuclear-powered ships continues to preclude a security alliance with the U.S. Certain restrictions on bilateral military cooperation still remain, such as ship visits, but official visits and multilateral cooperation is ongoing. Admiral Keating visited in September 2009, and Secretary of the Navy Ray Mabus is set to come in February 2010. Anti-nuclear legislation enjoys broad public and political support in New Zealand, and there is no sign it is likely to change. There is a perception among the New Zealanders that the decision to prohibit nuclear ships has cost them economically through lost trade opportunities. Despite suspension of U.S. security obligations, the New Zealand Government reaffirms the importance it attaches to continued close political, economic, and social ties with the United States and Australia. The Mission looks forward to an increase in frequency and complexity of joint and multilateral military-to-military training involving New Zealand when final decisions in a current review are made.

#### Shoulder to Shoulder in Afghanistan

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¶13. (C/NF) New Zealand is an active member of the global coalition in the fight against global terrorism, and deployed both Special Air Service (SAS) and regular armed forces personnel to Afghanistan. In September 2009, SAS began its fourth deployment to Afghanistan. PM Key also announced that the NZ Defense Force contingent of the NZ-run provincial reconstruction team (PRT) in Bamyan province will be drawn down in the medium term, which he defined as three to five years. As the NZ military contingent in the PRT draws down, the civilian contribution will increase and focus on rebuilding local capacity in agriculture, education and health. PM Key promised that NZ's efforts in Bamyan province would "be aligned with the new policy of the U.S. Administration," which includes building the capacity of the Afghanistan central government and provincial governments. PM Key also announced that New Zealand will establish a permanent diplomatic presence in Afghanistan. Presently, New Zealand's Embassy in Tehran covers Afghanistan. The SAS is slated to return to support internal security requirements during New Zealand's hosting of the World Rugby Cup in 2011, and future rotations to Afghanistan are undecided at this time.

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#### Intelligence Cooperation Is Back on Track

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¶14. (S/NF) Despite the ANZUS break in 1985, New Zealand remained a member of the Five Eyes intelligence community, but with access to certain types of intelligence curtailed. Our intelligence relationship was fully restored in August 29, 2009. While you should mention intelligence restoration in your private bilateral with PM Key and other New Zealand officials, this is a "no comment" issue when the media inevitably raises it. New Zealand has been a strong advocate of the Proliferation Security Initiative (PSI) in the East Asian region and hosted its first PSI exercise (Operation Maru) in September 2008 with 30 USG experts participating. New Zealand is also an active participant in the Global Initiative to Combat Nuclear Terrorism (GICNT).

#### Resources Needed As the Relationship Expands

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¶15. (S) The Mission to New Zealand and Samoa is staffed by 149 employees (50 Direct Hire Americans, 99 Locally Engaged Staff) across three posts and including the Department, DOD, Agriculture and Commerce. With the recent rapid growth of our bilateral relationship on key global issues the demands on this small Mission have increased significantly. Over the past 10 years, non-ICASS

positions have grown by close to 200 percent and the ICASS position growth has hovered around 22 percent. We need three additional Locally Engaged (LE) ICASS positions to support the increased staffing demands. The Defense Attache Office has requested an additional permanent billet (U.S. Military officer, Major) to support the demands of the two programs headed by DIA's Defense Attache System and the Office of Security Assistance and redeveloping the U.S. and New Zealand's military-to-military engagement after years of hiatus. State needs an additional officer in the Political/Economic Section to further expand on science and technology, nonproliferation, and political-military programs and allow the Economics Officer to focus on preparations for Trans-Pacific Partnership trade negotiations.

Embassy and Consulate General

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¶16. (SBU) The government-owned Chancery in Wellington recently went through three projects - Information Programs Center (IPC) upgrade, roof renovations and installation of new heating, ventilation and air conditioning (HVAC) systems. Those upgrades brought the Chancery closer to compliance with ADA laws and long needed upgrades. Located in Auckland, the Consulate General (CG) offices are on the third and fourth levels of a commercial office building in downtown Auckland. The offices were refurbished in 2004-2005 and remain in good condition. The Embassy in Apia is also located in a commercial office building. The Consulate General in Auckland and the Chancery in Apia are both short term leased facilities. The new government-owned Principal Officer's residence in Apia is currently under construction and due to be completed by the end of 2010.

¶17. (U) Madam Secretary, we look forward to your visit and are doing all we can to make it a complete success.  
CLARKE